
OLR Bill Analysis

sHB 6529

AN ACT PROMOTING ECONOMIC DEVELOPMENT IN THE AREA SURROUNDING OXFORD AIRPORT.

SUMMARY:

PA 10-98 created a development zone around Bradley International Airport and extended enterprise zone property tax exemptions and corporation business tax credits to manufacturers and other specified businesses that develop or acquire property in the zone. The zone, called the Bradley Airport Development Zone (BADZ), encompassed specified census blocks in East Granby, Suffield, Windsor, and Windsor Locks. The act also designated those census blocks as “distressed municipalities,” thus qualifying projects in the zone for state funds under different programs.

This bill makes the town of Oxford an airport development zone. It extends to Oxford the same tax exemptions and corporation business tax credits that apply to the Bradley zone. But the bill does not extend to Oxford any benefits related to distressed municipality designation, as the bill does not designate Oxford as a distressed municipality.

EFFECTIVE DATE: October 1, 2012

AIRPORT DEVELOPMENT ZONE PROPERTY TAX EXEMPTIONS AND CORPORATION BUSINESS TAX CREDITS

Eligible Business Facilities

PA 10-98 extended the existing enterprise zone property tax exemptions and corporation business tax credits to the BADZ, but for a narrower range of businesses. The bill extends these same exemptions and credits to Oxford.

As under the enterprise zone program, a business qualifies for these tax incentives based on the facility’s condition and use. The business must have (1) constructed, substantially renovated, or expanded the

facility or (2) acquired it from an unrelated seller after it was idle for at least a year, although the Department of Economic and Community Development (DECD) may waive the idleness requirement in specified circumstances.

The business qualifies for the exemption if it uses the facility for manufacturing, warehousing and motor freight distribution, and certain business services. As under the enterprise zone program, manufacturing includes:

1. manufacturing, processing, or assembling raw materials, parts, and manufactured products;
2. performing manufacturing related research and development; and
3. significantly servicing, overhauling, or rebuilding machinery and equipment for industrial uses.

Warehousing and motor freight distribution facilities qualify for the exemption, but only if they handle goods shipped by air. Those facilities located in an enterprise zone qualify for the exemption without qualification.

Facilities housing business services, including information technology, also qualify for the incentives if the DECD commissioner determines they depend upon or are directly related to the airport. Certain facilities are excluded, such as those housing car dealerships and retailers. Facilities in the enterprise zones that house a wide range of services qualify for the incentives. These include financial and health services, and telemarketing or engineering, accounting, research, management, and related services.

Property Tax Exemptions

PA 10-98 extended the enterprise zone tax exemptions for real and personal property to eligible businesses in the BADZ. The bill also extends these exemptions to Oxford. Businesses that construct, renovate, or expand a facility qualify for an exemption based on the

facility's value. The exemption equals 80% of the improvement's assessed value, and it is generally good for five years. Businesses acquiring facilities also qualify for the same five-year exemption, which is based on the assessed value of the acquired facility.

As under the enterprise zone program, non-manufacturing businesses developing or acquiring a facility in an airport development zone also qualify for a five-year, 80% exemption on the assessed value of machinery and equipment they install in the facility as part of its development or acquisition. (The law exempts all manufacturers from paying property taxes on new and existing machinery and equipment.)

The exemptions represent property tax revenues the municipalities forgo. As under the enterprise zone law, the state must reimburse the municipalities for half of the forgone revenue.

The enterprise zone program's administrative processes are used to administer the property tax exemptions and the state reimbursements. Thus, a business must apply to DECD for a certificate certifying that the facility qualifies for the exemption. It must annually file for the exemption by November 1 with the municipality's tax assessor. It waives its right to do so if it misses this deadline, unless it is granted an extension as the law allows.

To receive reimbursements, a municipality must submit its claims to the Office of Policy and Management secretary by August 1 annually as the law provides. The secretary must certify the claim to the comptroller by December 15. The comptroller has five business days to issue the order directing the treasurer to pay the claim. The treasurer has until December 31 to do so.

Corporation Business Tax Credits. PA 10-98 also extended the enterprise zone's corporation business tax credits to the BADZ. The bill extends these same credits to Oxford. Under the enterprise zone program, businesses that qualify for the property tax exemptions also qualify for a 10-year corporation business tax credit equal to the portion of the tax attributable to the facility. (The law specifies how businesses must calculate that amount.) The credit equals 25% of the

tax.

Businesses qualify for the credit under similar terms and conditions as businesses in the enterprise zone.

DISTRESSED MUNICIPALITY

The law provides that a distressed municipality includes “the portion of any municipality that contains the airport development zone established pursuant to” the statute creating the BADZ. The bill does not change this provision, but changes other sections of the statutes which refer to “the airport development zone” to instead refer to “an airport development zone.” Thus, it appears that the bill does not designate Oxford as a distressed municipality (see Related Bill below).

BACKGROUND

Related Bill

sSB 1066, reported favorably by the Commerce Committee, removes the distressed municipality designation from the census tracts that comprise the Bradley Airport Development Zone.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 19 Nay 0 (03/22/2011)